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Dear Lucy,

We write to provide evidence relating to the marketing of the ground floor commercial unit at 187 Kentish Town Road, London for cinema and cultural uses. We are appointed as the marketing agent of the Property and have been asked to provide supporting evidence to inform the consideration of a planning application.

As per our previous correspondence, we would like to reiterate that this property is unique in its physical characteristics. Quoting rents when marketing a property, are used as a guide rental level and it is market norm for the quoting rent to be above the estimated rental value to allow room for negotiation. In any case, our marketing strategy included both a targeted and wider reach approach to encompass all potential occupiers. When doing so, each conversation was explored in full, no matter the occupier's rental parameters.

In regard to the cinema market, there are no recent comparable transactions to report. The cinema market, as we have discussed in the Marketing Report (dated 14 June 2024), is especially turbulent. There have been few traditional cinema transactions, with the majority of the activity in consolidation and restructuring (e.g. Cineworld). 1 screen cinema transactions in particular are rare given the lack of demand for this product. A single screen presents an operator with the ability to only screen one film at a time, and due to the way film rights are purchased, they must commit to screening the content for a number of weeks at a time. Therefore, not only are they unable to offer a varied content to the consumer during peak hours, if a film is not proving popular, they have little opportunity to switch to alternative content.

Given the extensive marketing of the property, and targeting of cinema operators, we believe the marketing response evidences the 'market level' for this unique property.

Whilst historically cinema rents in London have ranged from £20-£40psf, these deals pre-date the pandemic era and as stated in our report, these are typically for 2-5 screen premises and therefore we are not aware of any directly comparable cinema units to this one. During the marketing process when a quoting rent was requested, we made it clear that we were open to working with operators to consider rental and incentive structures, provided commercially viable (for both parties). We would note that the largest barrier in negotiation was not the rent but instead, the fit out cost. Even when paired with a low rent, the profitability of a 1 screen cinema (as outlined above) does not allow for high capital expenditure at the outset despite accounting for the activation works Vabel have already contributed to, to facilitate a cinema operator (totalling £300,000). This includes:

- Specially designed and detailed steel frame to span the cinema screening area.

- Excavation and forming of the cinema screening pit
- Water proofing and acoustic separation of the cinema pit
- Dedicated space given to air handling with risers procured and installed from the cinema space to the roof to allow future connection of air handling / conditioning / extract units during operator fit out.
- Forming and installing of secondary means of escape fire doors and dedicated bins store doors.
- Installation of drainage runs and electrical points

In an effort to provide some form of comparison, we have collated evidence of comparable units, however, relating to alternative uses. The comparable units provided further below include other properties on Kentish Town Road, of a similar size and scale to 187 Kentish Town Road, and incorporate a range of Class E units. Details of the comparable units can be found below. Regarding the funding of a cinema operator’s fit out, when considering the traditional operators such as Cineworld, Vue, Odeon, these operators – being larger companies with strong covenants – would typically sign up to a lease prior to the cinema’s construction and would form an anchor of a much larger scheme. These operators would typically receive a large sum to contribute to their fit out, however this expenditure would be secured against the covenant on the lease and would be earned back via the cinema rent and the improved rents of the surrounding retail and leisure units.

Consequently, this is not comparable to the subject property. Given there is only 1 commercial unit, the high capital expenditure and low rent ultimately creates a loss-making scenario, which is commercially unviable. Capital contributions of this size are typically only agreed when secured against a strong covenant, and/or an operator with strong trading history which is not the case with all offers received.

A ‘market norm’ lease length ranges from 10-25 years. In more recent years, shorter leases of 10-15 years have been preferred.

Comparable evidence:

Address	Size (sq ft)	Date	Term	Rent psf	Rent overall	Landlord	Tenant
273-275 Kentish Town Road	2,189	Feb-22	3 year	£35.63psf	£77,994	Amak Property Investments	Lloyds Bank
339 Kentish Town Road	2,574	Sep-21	15 year	£17.48	£44,993	Greyclide Investments	Gokyuzu
180 Kentish Town Road	2,900	Nov-20	20 year	£17.24	£50,000	TBC	Smokey Corner
259-263 Kentish Town Road	2,218	Oct-17	15 year	£37.20	£82,500	TBC	TBC
242 Kentish Town Road	2,094	Jun-15	15 year	£41.79	£87,508	TBC	Holland & Barrett

Summary

In summary, this letter has sought to address comments received during the consultation period regarding the terms of the let, comparison with similar units and the associated fit out costs for the unit.

With regards to the terms of the let and comparison with similar units, as set out above, it is important to note the unique nature of this unit. During the course of the marketing period, the rent has remained negotiable with potential occupiers. Whilst it is not possible to provide direct comparable evidence for cinemas of a similar size and scale, we have sought to provide comparable evidence for units of a similar size, relating to alternative Class E uses.

We would note that the largest barrier in negotiation was not the rent but instead, the fit out cost. With regards to the fit out costs, whilst it is typical for larger cinema operators to receive a sum to contribute to the fit out of units, this is not comparable to 187 Kentish Town Road, given the size and scale of the unit. Capital contributions of this size are typically only agreed when secured against a strong covenant, and/or an operator with strong trading history which is not the case with all offers received.

To reiterate, the overall lack of viability has been due to the small scale of the space for this use type, which only allows for a single screen and very limited ancillary functions. This limits the profitability of the site, no matter the wider cinema sector troubles, creating a significant challenge to agree commercially viable terms for both parties.

We trust that this letter addresses the comments received throughout the consultation period.

Yours sincerely

Jessica Hill
Surveyor